



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO
MINISTRY OF TRADE AND INDUSTRY

Annual Seminar “Best Practices for Real Estate 2016”

**ASSOCIATION OF REAL ESTATE
AGENTS (AREA)**

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ADDRESS

**MS. KARLENE ROACH
DEPUTY PERMANENT SECRETARY (Ag.)
MINISTRY OF TRADE AND INDUSTRY**
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QUEEN’S HALL, ST ANN’S



I wish to thank Mrs. Sally Singh, President of AREA for the invitation to speak at today's Seminar on "Best Practices for Real Estate 2016". The Real Estate industry is truly vibrant and well represented today by a broad cross-section of the stakeholders that all contribute to making the sector dynamic and vital to the economy of Trinidad and Tobago.

It is recognised that the real estate market has the potential to provide a steady source of monthly income, while also growing wealth through long-term asset appreciation. In this regard, real estate investments are durable and capable of building multi-generational wealth.

The real estate market also has some flexibility associated with maturity of investment, as unlike other investments that have fixed maturities, an investor can sell in a few days if there is a good opportunity, or hold for decades. These unique characteristics are evident throughout the world with examples of profitable real estate that have been held for several decades in American cities, or held by the same trust or family for centuries in Europe.

There are also lucrative investment opportunities for the industry in Trinidad and Tobago.

CURRENT SITUATION

According to the Review of the Economy 2015, the broad sector of Finance, Insurance and Real Estate, as it is aggregated by the Ministry of Finance was recorded as the largest Services subsector in terms of value. An 8.6 percent growth was estimated for the sector in 2015, which is a marked reversal from the subsector's contraction of 1.2 percent one year earlier.

Specific data on the contribution of the real estate sector to GDP is not readily available, but over the period 1991 to 2006, the sector experienced boom conditions. Real estate prices rose by over 400% as the economy benefitted from high oil prices, construction activity and foreign investment, particularly in the petrochemicals sector.

This boom was evident in private housing, especially townhouses and gated communities, and in government provided housing for lower and middle-income earners. The industry was adversely affected by an estimated 20% decline during the global economic slowdown which was at its lowest during the period 2007 to 2009, but as of late 2014, the real estate market in Trinidad has shown some improvement.

With the current decline in the economy faced by Trinidad and Tobago, it is not envisioned that real estate prices would be sustained, as high prices were based on an environment where energy prices were much higher.

Notwithstanding, ladies and gentlemen, the real estate industry remains an important sector in the economy. Affordable real estate and rental prices are necessary to adequately house the population. A significant portion of the incomes of lower to middle income earners are consumed by home ownership mortgages or rental of living accommodations.

Changes in these mortgage and rental rates have a direct impact on the disposable income and consumer spending of property owners and tenants. Therefore increases or decreases in mortgage and rental rates can have a rippling effect throughout the economy. In summary, because of this direct relationship with

consumer spending, increases or decreases in mortgage and rental rates can contribute to the stimulation or contraction of the economy.

A healthy real estate industry is crucial for economic stability. It is a high value industry and the acquisition and disposal of assets can impact capital flows. Its high value serves as a guarantee for financing by allowing a borrower to leverage its value as collateral. This leads to a stronger economy which in turn is a stimulus for further investment. A stable real estate sector, and by extension a stable economy, are incentives to both private and institutional investments and can also serve to attract foreign direct investment.

However, there are several issues facing the local Real Estate industry, and, given this intricate link between the real estate sector and a stable, strong and resilient economy, it is important particularly now that the issues facing the domestic industry are properly understood and addressed.

LACK OF TRANSPARENCY

One issue facing the local real estate industry is a lack of transparency. In purchasing real estate, there is a risk that the seller is either withholding information, or may be unaware of problems associated with the specific property. The need for research and inspection is therefore critical when purchasing real estate.

HIGH STARTUP COSTS

Another issue facing the sector is the high cost of acquiring real estate. These costs typically include, but are not limited to purchasing, renovating, updating, and closing and financing costs. The high cost of real estate, and the dynamic nature of the sector could be reasons why property investing can be profitable as these factors limit the number of investors in the real estate market, which can therefore provide some level of stability within the sector and foster long-term appreciation of asset value.

The high cost of real estate also creates opportunities for a burgeoning financial support sector through financing from both governmental and commercial sources and institutions. Financing can be secured from various savings and loan associations, such as, commercial banks, savings banks, mortgage bankers and brokers, life insurance companies, credit unions, government agencies as well as individual investors and builders.

NATIONAL POLICY

Another issue facing the sector is the absence of a coherent national development plan or policy for the Real Estate Sector that has the broad support of the industry stakeholders. Attempts have been made to bring affordable housing through governmental initiatives since the 1970's. It has been argued that this has resulted in crowding out the private sector, increased the cost of construction, thereby making it more expensive to build and invest in the real estate market.

However, in fulfilling our manifesto promise to provide affordable high-quality housing for citizens, this Government has undertaken to continue and improve several programmes initiated during its previous tenure. These programmes, implemented by the Ministry of Housing and Urban Development, include:

THE ACCELERATED HIGH DENSITY HOUSING PROGRAMME;

There is also the

- Rent-to-Own Programme – which was introduced to assist low income households, to start with a rental property, which would be converted to home ownership as their circumstances improve;
- New Home Subsidies are also being offered – to encourage first time homeowners to build their own homes;
- Subsidised Mortgage Loans – with very low interest rates pitched at (2%) to facilitate housing loans;
- Housing Grants will continue - including the Home Improvement Grant and the Home Improvement Subsidy, designed to assist families experiencing financial difficulties; and
- Finally, the Second National Settlements Programme – designed to regularize squatters and give them proper title to the lands that they occupy.

In the second half of 2016, the Government has plans for a number of development projects, including public housing initiatives, road improvements and other projects, such as schools, community and sporting facilities. These plans embrace the private sector and, in respect the construction of multi-storey car parks and commercial buildings, the present tax concessions offered which are being extended to 2025, will be expanded to include the construction of multi-family residential buildings.

Other Government grants and fiscal incentives are also planned to motivate the private sector to get involved in urban renewal and rural development in designated areas. Many of these measures will take effect in May 2016 with the passage of the Finance Bill No. 2.

I am also aware that there are a number of legislative challenges which the industry faces. The industry remains subject to no direct legal restraint, and as such, anyone can establish a real estate agency without the need for qualifications or accreditation. This being the case, it is very much within the interest of the consumer to seek out those who are qualified and/or affiliated to legitimate organizations.

ENVISIONED SITUATION/GOAL

Ladies and gentlemen, given the importance of the industry to the economy of Trinidad and Tobago, and the issues facing the sector, some of which I mentioned today, it is apparent that a well-regulated sector is in the interest of Trinidad and Tobago.

The sector must strive to ensure that agents and other industry players have the basic characteristic values of honesty and trustworthiness, matched with adequate knowledge of their role in the industry and a level of organization that would engender professionalism and efficiency.

WAY FORWARD

In respect of the way forward, in essence, the industry must wholeheartedly embrace the need for, and development of, adequate regulations to facilitate the achievement of these attainable goals.

For this reason, I am pleased that AREA approached the Government of Trinidad and Tobago through the Ministry of Trade and Industry to pilot a Bill to effect legislation for the organization and regulation of the sector. The proposed legislation addresses the registration of Brokers and the issuance of licenses for Real Estate Agents.

Other highlights of the Bill include measures to allow for stronger regulation and supervision of the industry, such as streamlining the role and functions of the Board; streamlining the functions and responsibilities of the Registrar vis a vis the Board; and criminalizing of certain undesirable actions in the industry. The Bill also speaks to prescribed qualifications for the real estate professional, remuneration and a code of ethics.

The Ministry of Trade and Industry stands ready to assist and facilitate your association in this undertaking. It is in this regard that the Honourable Minister of Trade and Industry has written to her colleague, the Honourable Faris Al-Rawi, Attorney General and Minister of Legal Affairs, on this issue to ensure that it is done in the best way to serve the needs of the industry and Trinidad and Tobago as a whole.

In closing, Ladies and Gentlemen, I wish you a successful Seminar and look forward to the Real Estate industry continuing to play its role in the economic stability and growth of the economy.

Thank you for your attention today.